

HIPAA Implementation Newsletter
Issue #23 – November 30, 2001
Rule Delay | Status | Wireless | Privacy: Internet | Security
Web format with links at <http://lpf.com/hipaa>

____Proposed Security Rule - Early 2002____

In Issue #21 we reported: "Senior Advisor to HHS on HIPAA and related healthcare issues, Bill Braithwaite has announced ... the healthcare industry should expect to see the final Security rule and Employer Identifier rule by December 31, 2001..."

HIPAA Advisory News reported on November 21, that: "September 11 has altered DHHS' original timeline in getting out the final privacy rule, pushing the date for publication of the proposed rule (NPRM) for privacy to January or February 2002... [We suspect the issue is "security," not "privacy" but have not been able to confirm it.]

"DHHS is still aiming for the late 2001 timeframe for publishing draft rules to revise the Transactions standards. These rules will propose making certain changes in Designated Standard Maintenance Organizations (DSMOs), and removing the NDC code as the drug-coding standard for all but retail pharmacy transactions. ...

<http://www.hipaadvisory.com/news/recentnews.htm>

____Status: Payers Unsure Partners Comply With HIPAA____

"While many healthcare organizations providing benefits are confident of their own HIPAA compliance, they are not as certain about their outsource partners..."

"The survey, which consisted of telephone interviews with NCPDP's Health Maintenance Organization (HMO), Health Insurer and Pharmacy Benefits Manager (PBM) membership, was conducted by a third party on behalf of HealthTrans and NCPDP. Questions were asked about readiness for HIPAA and Version 5.1, standards for electronic handling of medical information scheduled to go into effect next year. Survey results include:

- * Many organizations believe they are ready for HIPAA: Forty-eight percent said they were already compliant with HIPAA standards and none said they had just begun planning, but 21 percent of respondents declined to answer.

- * There is much uncertainty about HIPAA compliance among outsource partners: Of those surveyed, 33 percent of the organizations outsourced to a PBM or claims processor for pharmacy claims processing. While many organizations felt they were in compliance with HIPAA, there was much less certainty about outsource partners, with 43 percent saying they believed their outsource partner had just begun planning and another 16 percent saying they were unsure about their outsource partner's HIPAA preparations.

* The same IT department running the production shop is also responsible for HIPAA compliance, and is dedicating most of its time on HIPAA: Eighty-two percent of respondents said that the same IT staff working on HIPAA concerns was also responsible for running the production shop. Half are spending 50 to 75 percent of their time on HIPAA and 39 percent are spending more than 75 percent of their time on HIPAA. Time and cost were the most cited concerns, along with non-compliance. Of these factors, time is cited by almost half the respondents as their most important concern.

* Version 5.1 is well received: The vast majority of organizations, 97 percent, intend to implement all segments of Version 5.1, and all expect it will save time.

"HIPAA has often been compared with Y2K, but HIPAA goes to the depth of business processes like Y2K never did," said McClurg. "As the HIPAA deadline gets closer, it will be increasingly important to concentrate on core competencies and work with outsource providers for the rest. But healthcare organizations need to conduct a thorough due diligence to ensure that the outsource partner does not become a HIPAA liability."

Story: http://biz.yahoo.com/bw/011030/300332_1.html

NCPDP: <http://www.ncdp.org/about.asp>

HealthTrans: <http://www.healthtrans.com/healthtrans/index.html>

COMMENTARY: Transaction processing is a "system" that will only work as planned if all of the participants in each transaction have procedures and systems that have been thoroughly tested and that perform as planned. Each participant should plan time and processes for coordination to assure that all participants will be ready test transactions from end-to-end and process normal volumes of transactions.

_____Status: Health Claims Processing_____

"Health Claims Processing At The Dawn Of HIPAA". The report is compilation of responses from a survey of nearly 10,000 health insurance professionals in managed care organizations to third party administrators (TPAs), preferred provider organizations (PPOs) and self-insured organizations. Survey data includes:

* Respondents anticipate HIPAA compliance [adds to 100%]

14% Already Compliant

10% By Oct. 2001

24% By Jan. 2002

32% By June 2002

20% By Oct. 2002

* In organizations processing less than 5000 claims a day, nearly 80% are manually processed, the remaining are either processed using ICR/OCR technology and/or outsourced.

* But in those processing more than 5000, only 40% are manually processed and nearly 50% are processed using ICR/OCR technology, the remaining are

outsourced.

The "Health Claims Processing At The Dawn Of HIPAA" report is available for \$195 directly from Datacap

Press release: http://www.datacap.com/news/1001_HII_Report.htm

____Wireless and Mobile Computing____

"Today's health care environment makes mobile computing increasingly attractive as a way to connect caregivers to clinical data and applications, anywhere and anytime. How soon and to what extent such applications might be integrated into standard practice is reviewed in Wireless and Mobile Computing, a study conducted by the First Consulting Group for the California HealthCare Foundation.

"This report serves as a guide to health care professionals and managers who want to understand mobile computing and wireless technology concepts, the current opportunities in health care, and how they should approach decisions about adopting it. It provides a snapshot of the current marketplace and discussion of connectivity, performance, security, integration, and cost issues with a view towards future developments."

Press release: <http://www.chcf.org/press/view.cfm?itemID=4383>

Report: <http://ehealth.chcf.org/view.cfm?section=Industry&itemID=4382>

California Health Care Foundation: <http://www.chcf.org/>

First Consulting Group: <http://www.fcg.com/>

____Privacy: HIPAA and the Internet____

"... The vast majority of health Web sites are not operated by [firms that are subject to HIPAA] and that means that there will be no federal protections for those who use them. Thus, commonplace activities may not be covered by the federal rules. For example, online Americans using these kinds of sites will not have any personal information protected by the federal regulations

"The Health Privacy Project conducted analysis of the new regulations, with funding and research assistance from the Pew Internet & American Life Project. The report is entitled, 'Exposed Online: Why the new federal health privacy regulation doesn't offer much protection to Internet users.

"Sixty-five million Americans have gone online for health information," says Susannah Fox, director of research at the Pew Internet Project. "These Internet users are often more concerned about getting quick and accurate advice than checking a Web site's privacy policy. They are doing their best to care for their loved ones and just hoping they won't get burned. Many probably assume that the personal information they provide to health Web sites is covered by the new regulation - and they are wrong."

The Pew Internet & American Life Project is a non-profit initiative fully funded by The Pew Charitable Trusts. The Project creates original research that explores the impact of the Internet on children, families, communities, health care, schools, the work place, and civic/political life.

Pew Internet and American Life: <http://www.pewinternet.org/>
Press release: <http://www.pewinternet.org/releases/release.asp?id=33>
Report (30 pages)
http://www.pewinternet.org/reports/pdfs/PIP_HPP_HealthPriv_report.pdf

____Privacy: Files Posted on Internet____

"Detailed psychological records containing the innermost secrets of at least 62 children and teenagers were accidentally posted on the University of Montana Web site

"In nearly all cases, they contain complete names, dates of birth and sometimes home addresses and schools attended, along with results of psychological testing.

"A University of Montana student or technical employee may have accidentally placed these private files on the Web site, officials said. [Story recaps other security breaches.]
<http://www.latimes.com/news/printedition/la-000088956nov07.story>

COMMENTARY: Every breach of privacy raises the public awareness of the issue, increases the pressure to maintain the current dates for effectiveness of the HIPAA privacy rule, and exposes the offending organization to lawsuits. We are not attorneys and do not give legal advice, but it looks to us like the privacy rules provide a "reasonable" standard that a plaintiff could cite as the required level of care. Failure to move toward compliance would probably make the defense against such a case much more difficult. The two preceding items and the next should be read as a set.

____Security: Information Security is Critical____

"Even before the events of Sept. 11, chief information officers at healthcare organizations said safeguarding information resources was among the top information technology issues they're facing, according to a study by Computer Sciences Corporation.

"CSC's 14th Annual Critical Issues of Information Systems Study, completed in August 2001, summarizes survey responses from more than 1,000 IT executives in industries worldwide, including healthcare. When asked to select from a list of issues that were most important to the organization, healthcare respondents in North America said protecting and securing

information systems was the number one issue, while healthcare executives worldwide ranked it second. By contrast, the issue only ranked fifth among global technology executives.

"The healthcare industry clearly recognizes the importance of protecting sensitive information," said Arthur H. Spiegel III, president of CSC's Healthcare Group. "This is due, in part, to the rapidly approaching Health Insurance Portability and Accountability Act, and its privacy and security regulations, which are having a profound effect on the IT priorities of healthcare organizations in the United States."

"The attacks of Sept. 11 also reminded healthcare organizations of the critical need for security, data backup, disaster recovery and contingency plans. 'In the coming months, we expect to see an increased emphasis on developing or refining disaster plans and conducting contingency training for all staff,' said Spiegel. ...

INTERNET: "While many healthcare organizations are turning to e-business to electronically connect patients, insurance carriers, doctors and other medical service providers, the focus of these initiatives has changed. In last year's survey, 71 percent of respondents said developing an e-business strategy was their top IS management issue. This year, that issue dropped to just 39 percent, or fifteenth place, as healthcare executives focus their attention on achieving business results and optimizing the return on their technology investment. ...

Organization Has an E-Business Strategy:

- 21.4% No
- 42.7% Currently Planning
- 29.5% Currently Implementing
- 6.4% Fully Implemented

"Almost 99% of healthcare organizations surveyed have a Web site. Two-thirds of those who have an Internet presence use it to provide information, while only 23% currently interact with their stakeholders through their Web site. But there is an increasing desire for better connectivity with stakeholders such as patients, providers and payers. 64% of respondents who have or who are planning an e-business strategy are focusing on external relationships versus 36% on internal operations. Externally focused priorities included reaching new customers (42%) and strengthening customer loyalty (47%).

OUTSOURCING: "For years, hospitals have been outsourcing various tasks such as patient accounting or facilities management. "What's different now is that the definition and scope of outsourcing agreements are broader and more strategic," said Spiegel. ... More than half of the respondents reported that they would begin exploring outsourcing on a wider scale over the next year. This is up 12 percent over last year.

BUDGETS: "Despite gloomy forecasts, 78 percent of industry respondents anticipate their IT budgets will increase in the coming year. This is up from 64 percent the previous year. However, the IT budget as a percent of total organizational budgets is at five percent.

RETURN ON INVESTMENT: "Only 43% of the respondents said their organization is receiving a "high" or "medium" return on investment, while 44% said the ROI was "unknown." As healthcare organizations continue to face rising costs and reduced or flat reimbursements, it becomes critical for IT to provide real business results.

"... The healthcare respondents represent pay or and provider organizations, as well as pharmaceutical and medical products companies.
Press release: <http://www.csc.com/industries/healthservices/news/1590.shtml>
Report: http://www.csc.com/aboutus/uploads/CI_Report.pdf

_____Update_____

We have added a HIPAA Glossary by WEDI at <http://lpf.com/hipaa/tools.html> - acronyms-tools and the wireless report at <http://lpf.com/hipaa/background.html> - wireless-background

To be removed from this mail list, click:

<mailto:hipaa@lpf.com?subject=remove>

To subscribe, click: <mailto:hipaa@lpf.com?subject=subscribe> We appreciate it if you include information about your firm and your interests.

The HIPAA Implementation Newsletter is published periodically by Lyon, Popanz & Forester. Copyright 2001, All Rights Reserved. Issues are posted on the Web at <http://lpf.com/hipaa> concurrent with email distribution. Past issues are also available there. Edited by Hal Amens hal@lpf.com

Information in the HIPAA Implementation newsletter is based on our experience as management consultants and sources we consider reliable. There are no further warranties about accuracy or applicability. It contains neither legal nor financial advice. For that, consult appropriate professionals.

Lyon, Popanz & Forester <http://lpf.com> is a management consulting firm that designs and manages projects that solve management problems. Planning, program management offices and project management for HIPAA are areas of special interest.